

ORIGINAL



0000135419

ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL  
1200 W WASHINGTON STREET  
PHOENIX AZ 85007

RECEIVED

2012 MAR 21 A 10:33

RE: APPALOOSA WATER COMPANY

W-03443A-11-0040 AND W-03443A-10-0143

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

MAR 27 2012

MARCH 26, 2012



Appaloosa Water Company has filed for a rate increase for the following reasons:

1. Property taxes increase. See Exhibit A chart showing the steady increase in the property taxes from 2003 through 2011. A momentary relief of 374.62 for the 2010 tax year and was increased by 612.56 in 2011. The second parcel increase from 18.28 in 2010 to 934.12 in 2011 is about 5000%.
2. The collection of arsenic tariff. Exhibit B is a chart for the surcharges that were billed, what the WIFA payment is and what the company had to pay. The WIFA collection totaled \$10,012.74 for the 2010 year. The amount collected was \$8,197.54 and the "Company" provided the shortage payment of \$1,815.20

There are 191 - 5/8 inch meters that are @ 3.89 per month equals... \$742.99

There are 45 - 1 inch meters that are @ 9.73 per month equals ..... \$437.85

Yearly Potential collection \$1180.84

If the Company collects from all 236 potential meters there will be a shortage of \$271.60 per year.

With today's economy the Company experiences foreclosures resulting in no payments of utility, missed payments, late payments, etc. When the initial payment became due to WIFA the collection was inadequate for the payment and has been inadequate to this day. A separate interest account for the collection was not possible as no interest could have been made with the deficient payment amount being collected. The Company had no intention of not complying with the orders of the Commission and made a sound financial judgement to be sure that the payments to WIFA were in full.

3. Replacement of media in arsenic plant. To meet ADEQ requirements for standard acceptable percentage of arsenic in the water required the Company to replace the media in the arsenic plant at a cost of \$25,000 for the media and \$ 2,125 for the labor. The Company in order to stay in compliance with ADEQ will need the revenue to have the media replaced on an on going basis. Although, the immediate need to replace the media for the arsenic the media takes care of many

other contaminants in the water and is a necessary expense for the protection of the Company's water customers. The maintenance of the arsenic plant with media replacement is not included in the current rates. See Exhibit C Invoices for the media replacement and labor costs and the letter stating we are in compliance with ADEQ.

Appaloosa Water Company has filed an application for financing for the following reasons:

1. The Chino Valley Fire District has required the "Company" upgrade the storage system to make water available for protection of the homes and the surrounding homes in the event of a fire along with being able to continuously provide its customers with water without interruption. The current system does not meet fire flow and peak usage requirements. The additional water tank to meet the fire flow and peak usage would require an additional 200,000 gal tank. The current 65,000 gal tank and the 200,000 gal tank would be adequate for the 120,000 requirement from the Chino Valley Fire District and the 145,000 gal would be adequate for the continuous usage without interruption to the Company's customers. See Exhibit D letter and follow up letter from the Chino Valley Fire District.
2. The Company originally requested a 500,000 gal tank when there was a planned 3 Phase Development to the water company expansion. Due to the turnabout of the economy only Phase I and Phase II was completed. Phase III is no longer a possibility and the Developer has the property to be developed up for sale. The Company has revised the cost sheet for the storage tank. The Company basis this need because of a requirement of the Chino Valley Fire District and for the benefit of the community and its' customers. The approximate cost sheet is Exhibit E. This includes 2 generators, the electrical panel's. Permits/fees and taxes have not been calculated for this adjustment. The water lines requested are needed to connect #2 Well Head to the new tank – from the new tank to the treatment plant – and then to distribution.
3. The Company's meters are encased in a wooden meter box and are subject to freezing. Many of the current meters have sand in them preventing the accurate usage of water and is contributing to the Company's water loss reports. The current meters that have the sand problem are not repairable. It is unknown if it is aging or just bad meters that is causing this problem. The replacement of the meters to the more modern up to date technology would certainly be an advantage to the Company to combat the loss of water. The Company is asking for assistance to replace the problem meters and the labor costs. This coincides with need for the Company to obtain the equipment to track leaks for repairs in a timely manner. This additional maintenance is not included in the current rates.

The test year revenue of \$140,888 included the amount of collection for the arsenic plant of 7,102.67 that is turned over to WIFA. Company disagrees with

W - 034434-11-0040  
W - 034434-10-0143

Staff's recommendation to eliminate the arsenic surcharge and roll it into base rates. The increase of 14.03 percent based on the total income and not the water sales gives a false result and needs to be based solely on the water revenue.

Company at Exhibit F has Comparative Statements of Operation from 2009, 2010, and 2011 showing the decline in water revenues and the increases of expenses. The Company has strived to decrease its' expenses where it could and requires an increase in rates for it to be able to deliver the water to its' customers.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Joe Cordovana".

Joseph Cordovana  
President Appaloosa Water Company

Cc: Arizona Corporation Commission original and 13 copies  
John Blann Jr. Intervenor

W-034434-11-0040  
W-034434-10-0143

# EXHIBIT A

**YAVAPAI COUNTY**  
**GOVERNMENT** *ARIZONA*

## Property Tax Inquiry



All 2010 and prior property taxes must be paid by  
cashiers check or money order.

[Tax Search](#) | [Search Results](#) | [Owner/Legal](#) | [Tax Summary](#) | [View Detail](#) | [Pay Online](#) | [General Info](#) | [2011 Tax Bill](#)

**Parcel: 932-05-131 9**

**Taxes Billed & Paid**

Found 9 Record(s)

Year	Tax
2011	\$6,116.40
2010	\$5,503.84
2009	\$5,878.46
2008	\$4,219.64
2007	\$4,184.74
2006	\$3,361.70
2005	\$2,915.10
2004	\$2,233.52
2003	\$1,662.24

Information updated 03/23/2012

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W-034434-11-0040  
W-034434-10-0145

2011 PROPERTY TAX NOTICE				YAVAPAI COUNTY				ARIZONA	
BOOK	PARCEL # MAP	PARCEL	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE	2011 TAX SUMMARY		
932-05-131	9	05131		7.0629	4.1727				
<b>ASSESSMENT</b>									
							TOTAL TAX DUE FOR 2011		
							3,926.98		
							.00		
							3,926.98		
							2,189.42		
							.00		
							6,116.40		
0000000				JURISDICTION		2011 TAXES		2010 TAXES	
TOTAL VALUE OF OPERATING PROPERTY 306-20-110 1.000				07051	CHINO VALLEY UNIFIED S.D. #51	2,023.97	2,448.06		
				11204	CHINO VALLEY F.D.	1,430.58	1,569.02		
				08150	YAVAPAI COMMUNITY COLLEGE	837.37	899.34		
				02000	YAVAPAI COUNTY	832.13	795.36		
				02001	SCHOOL EQUALIZATION	219.30	236.80		
				14900	YAVAPAI CTY. LIBRARY DISTRICT	73.10	80.96		
				11900	FIRE DIST. ASSIST. FUND	50.02	51.60		
				30001	MOUNTAIN INSTITUTE JTED	30.77	27.80		
				15001	YAVAPAI FLOOD CONTROL DISTRICT	6.60	7.46		
						<b>TOTALS</b>	5,503.84	6,116.40	
Ross D. Jacobs, Yavapai County Treasurer Yavapai County Treasurer's Office 1015 Fair Street Prescott, AZ 86305						<b>PAYMENT INSTRUCTIONS</b> To pay the 1st half installment and full year tax notices of \$100 or less, send the coupon below with your payment postmarked no later than Nov. 1, 2011. To pay the 2nd half installment, send the coupon below with your payment postmarked no later than May 1, 2012. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the coupon below with your payment postmarked no later than Dec. 31, 2011 and no interest will be charged for current year.  Make your check payable to and mail to: Ross D. Jacobs, Yavapai County Treasurer Yavapai County Treasurer's Office 1015 Fair Street Prescott, AZ 86305			
THIS IS A CALENDAR YEAR TAX NOTICE						PLEASE INCLUDE YOUR PARCEL NUMBER ON YOUR CHECK.			
THERE WILL BE A CHARGE FOR EACH RETURNED CHECK AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.									

2011 TAX PAYMENT COUPON		DETACH AND RETURN WITH PAYMENT		Payment in U.S. FUNDS ONLY	
APPALOOSA WATER COMPANY 932-05-131 9 0000000 Delinquency Date First Half Payment Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. November 1, 2011 (ARS 42-18052 and 42-18053).  Delinquency Date Second Half Payment Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. May 1, 2012 (ARS 42-18052 and ARS 42-18053).  Any total property tax notice of \$100 or less must be paid in full no later than November 1, 2011 at 5:00P.M.  Remit one full year payment for billed amounts over \$100 by Dec. 31, 2011 and no interest will be charged for current year.		TO PAY 1ST HALF ONLY (DUE OCT 1, 2011)		PAY ▶ 3,058.20	
		TO PAY 2ND HALF ONLY (DUE MAR 1, 2012)		PAY ▶ 3,058.20	
		TO PAY FULL YEAR TAX (IF PAID BY DEC 31, 2011)		PAY ▶ 6,116.40	
Ross D. Jacobs, Yavapai County Treasurer Yavapai County Treasurer's Office 1015 Fair Street Prescott, AZ 86305				9320513109	
				W-03443A-11-0040 W-03443A-10-0143	

**YAVAPAI COUNTY**  
**GOVERNMENT** *ARIZONA*

## Property Tax Inquiry



All 2010 and prior property taxes must be paid by  
cashiers check or money order.

[Tax Search](#) | [Search Results](#) | [Owner/Legal](#) | [Tax Summary](#) | [View Detail](#) | [Pay Online](#) | [General Info](#) | [2011 Tax Bill](#)

**Parcel: 306-13-117 7**

**Taxes Billed & Paid**

Found 9 Record(s)

Year	Tax
2011	\$934.12
2010	\$18.28
2009	\$18.56
2008	\$909.50
2007	\$911.20
2006	\$66.28
2005	\$71.66
2004	\$74.32
2003	\$66.96

Information updated 03/23/2012

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W-034434-11-0040  
W-034434-10-0145

2011 PROPERTY TAX NOTICE

YAVAPAI COUNTY

ARIZONA

BOOK	PARCEL # MAP	PARCEL	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE	2011 TAX SUMMARY	
306-13-117	7		05131	7.0629	4.1727		PRIMARY PROPERTY TAX	571.34
<b>ASSESSMENT</b>							LESS STATE RD TO EDUCATION	.00
							NET PRIMARY PROPERTY TAX	571.34
							SECONDARY PROPERTY TAX	362.78
							SPECIAL DISTRICT TAX	.00
							TOTAL TAX DUE FOR 2011	934.12

0000000	JURISDICTION		TAXES	TAXES
2011 GILSON ST, CHINO VALLEY	07051	CHINO VALLEY UNIFIED S.D. #51	6.59	359.94
APPALOOSA MEADOWS PH 2 TRACT A SEC 9-16-2W CONT	11204	CHINO VALLEY F.D.	4.65	245.34
1.25AC M&P 42/63-65 DEVELOPERS USE	08150	YAVAPAI COMMUNITY COLLEGE	2.72	132.02
	02000	YAVAPAI COUNTY	2.71	115.72
	02001	SCHOOL EQUALIZATION	.71	34.44
	15001	YAVAPAI FLOOD CONTROL DISTRICT	.40	21.60
	14900	YAVAPAI CTY. LIBRARY DISTRICT	.24	12.64
	11900	FIRE DIST. ASSIST. FUND	.16	8.08
	30001	MOUNTAIN INSTITUTE JTCD	.10	4.34

Ross D. Jacobs, Yavapai County Treasurer  
Yavapai County Treasurer's Office  
1015 Fair Street  
Prescott, AZ 86305

THIS IS A  
CALENDAR YEAR  
TAX NOTICE

TOTALS 18.28 934.12

APPALOOSA WATER COMPANY  
C/O JOE CORDOVANA  
PO BOX 3150  
CHINO VALLEY AZ 86323

PAYMENT INSTRUCTIONS

To pay the 1st half installment and full year tax notices of \$100 or less, send the coupon below with your payment postmarked no later than Nov. 1, 2011. To pay the 2nd half installment, send the coupon below with your payment postmarked no later than May 1, 2012. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the coupon below with your payment postmarked no later than Dec. 31, 2011 and no interest will be charged for current year.

Make your check payable to and mail to:  
Ross D. Jacobs, Yavapai County Treasurer  
Yavapai County Treasurer's Office  
1015 Fair Street  
Prescott, AZ 86305

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK  
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR  
PARCEL NUMBER  
ON YOUR CHECK.

2011 TAX PAYMENT COUPON

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Make check payable to:

Ross D. Jacobs, Yavapai County Treasurer

APPALOOSA WATER COMPANY

306-13-117 7 0000000

Delinquency Date First Half Payment

Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. November 1, 2011 (ARS 42-18052 and 42-18053).

Delinquency Date Second Half Payment

Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. May 1, 2012 (ARS 42-18052 and ARS 42-18053).

Any total property tax notice of \$100 or less must be paid in full no later than November 1, 2011 at 5:00 P.M.

Remit one full year payment for billed amounts over \$100 by Dec. 31, 2011 and no interest will be charged for current year.

TO PAY 1ST HALF ONLY (DUE OCT 1, 2011)	PAY ▶	467.06
TO PAY 2ND HALF ONLY (DUE MAR 1, 2012)	PAY ▶	467.06
TO PAY FULL YEAR TAX (IF PAID BY DEC 31, 2011)	PAY ▶	934.12

Ross D. Jacobs, Yavapai County Treasurer  
Yavapai County Treasurer's Office  
1015 Fair Street  
Prescott, AZ 86305

3061311707

W-03443A-11-0040  
W-03443A-10-0143



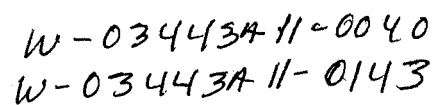
## EXHIBIT B

APPALOOSA WATER COMPANY  
ARSENIC SCHEDULE JUNE 2010 THROUGH DECEMBER 2010

MONTH	SURCHARGES BILLED	WIFA PAYMENT	ARSENIC SURCHARGE SHORTAGE A.W. CO PAID
JUNE	\$1,155.57		
JULY	\$1,194.12		
AUGUST	\$1,198.37		
SEPTEMBER	\$1,171.13	\$5,655.42	\$936.23
OCTOBER	\$1,151.67	\$1,452.44	\$300.77
NOVEMBER	\$1,155.55	\$1,452.44	\$296.89
DECEMBER	\$1,171.13	\$1,452.44	\$281.31
=====			
TOTALS	\$8,197.54	\$10,012.74	\$1,815.20

W-03443A-11-040  
W-03443A-11-0143

1110 West Washington Ste. 290 • Phoenix, AZ 85007



# EXHIBIT C


**REMIT TO:**

201 South 26th Street  
Phoenix, AZ. 85034  
Phone: (602) 996-3444  
Fax: (602) 996-9408

# INVOICE

DATE	INVOICE NO.
9/2/2011	9104

<b>BILL TO :</b>
Appaloosa Water Company P.O. Box 3150 Chino Valley, AZ 86323

<b>SHIP TO :</b>

<b>P.O. NO.</b>	Verbal: Joe Cordovana	
<b>TERMS</b>	<b>DUE DATE</b>	<b>REP</b>
Net 30	10/2/2011	SS

<b>JOB NAME</b>	TWS #13-208/DWR Well 55-607274	
<b>SHIP DATE</b>	<b>SHIP VIA</b>	<b>FOB POINT</b>
9/2/2011	Will Call	Factory

HMS PO#	QTY	DESCRIPTION	UNIT	AMOUNT
8552	1	Bayoxide E33 Arsenic Removal Media - 114 cf - (2) super sacks containing 57 cf  <i>Paid in full 10-3-11 ch 1466</i>	25,000.00	25,000.00
			<b>Total</b>	<b>\$25,000.00</b>

THANK YOU FOR YOUR ORDER!  
PLEASE REFERENCE INVOICE # ON YOUR REMITTANCE.

A FINANCE CHARGE COMPUTED AT A PERIODIC RATE OF 1-1/2% PER MONTH WHICH IS AN ANNUAL PERCENTAGE RATE OF 18%, OR HIGHEST LAWFUL RATE, WILL BE APPLIED TO PAST DUE ACCOUNTS AFTER DEDUCTING CURRENT PAYMENTS AND/OR CREDITS. PAY IN FULL WITHIN 30 DAYS OF INVOICE DATE TO AVOID FINANCE CHARGE.  
CUSTOMER AGREES TO ALL TERMS AND CONDITIONS ON REVERSE SIDE INCORPORATED HEREBY REFERENCE, INCLUDING THE TERMS OF PARAGRAPH 7 WHICH CREATES A PURCHASE MONEY SECURITY INTEREST IN FAVOR OF SELLER.

X \_\_\_\_\_  
RECEIVED AND ACCEPTED BY  
ALL CLAIMS FOR SHORTAGES MUST BE MADE IN WRITING WITHIN FIVE DAYS.

W-03443A-11-0040  
11-03 443A-10-0143

## Yavapai Water Production L.L.C.

Kimble McClymonds  
2132 Stringfield Dr  
Prescott AZ 86305  
(928)771-9461

## Invoice

Date	Invoice #
10/13/2011	784

Bill To
Appaloosa Water P.O. Box 3150 Chino Valley Az 86323

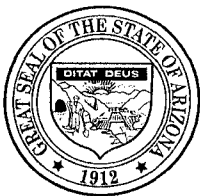
Job
Media change out

Serviced	Item	Quantity	Description	Rate	Amount
9/14/2011	Labor		Labor- Change out 100 cubic foot of media from AS filter. Including pump sub contractor	1,950.00	1,950.00
9/29/2011	Labor		Labor- Sand bag media, repair tee, reload, disinfect #1 vessel	175.00	175.00
<i>Paid in full ck 11470 10-18-11</i>					
				<b>Sales Tax (7.35%)</b>	\$0.00
				<b>Total</b>	\$2,125.00

Phone #
928.771.9461

E-Mail
ywp@cableone.net

W-034434-11-0040  
W-034434-10-0143



Janice K. Brewer  
Governor

# ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007  
(602) 771-2300 • [www.azdeq.gov](http://www.azdeq.gov)



Henry R. Darwin  
Director

November 8, 2011

Case ID #:125716

Appaloosa Meadows Subdivision  
Attention: Joseph Cordovano, President  
1228 West Road, 4-N  
Chino Valley, Arizona 86323

**Subject: Closure of the June 30, 2011 Notice of Violation  
Appaloosa Meadows Subdivision – Public Water System #13-208**

Dear Mr. Cordovano:

The Arizona Department of Environmental Quality (ADEQ), has closed the Notice of Violation (NOV) issued to Appaloosa Meadows Subdivision (Appaloosa) on June 30, 2011 for an arsenic exceedance. A copy of the June 2011 NOV is attached.

ADEQ has closed the NOV based upon its determination that Appaloosa has met the Documenting Compliance provisions of the NOV by replacing the arsenic media, submitting documentation to show the arsenic monitoring level is below the maximum contaminant level and submitting a Microbiological Site Sampling Plan.

ADEQ will not proceed with further action at this time. However, if additional information regarding the alleged violations is discovered, or if further violations occur, ADEQ may reconsider its position and take additional action as appropriate and as allowed by law.

Thank you for your efforts to comply with Arizona's environmental requirements. Should you have any comments or questions regarding this matter, please do not hesitate to contact me at 602.771.2209 or contact Vivian Burns, Case Manager Water Quality Enforcement Unit at 602.771.4608, or [burns.vivian@azdeq.gov](mailto:burns.vivian@azdeq.gov).

Sincerely,

Marcia Colquitt, Manager  
Water Quality Enforcement Unit

Southern Regional Office  
400 West Congress Street • Suite 433 • Tucson, AZ 85701  
(520) 628-6733

Printed on recycled paper

W-03443-A-11-0040  
W-03443A-10-0143

## EXHIBIT D



# CHINO VALLEY FIRE DISTRICT

11 33 W Road 3 North • PO Box 264 • Chino Valley, AZ 86323  
Ph: 928-636-2442 • Fax: 928-636-1958 • www.chinoazfire.com

---



May 16, 2011

Joe Cordovana  
Appaloosa Meadows Water Company

Re: Fire Flow Requirements

Dear Joe:

You had requested fire flow requirements for the Appaloosa Meadows Water Company. The fire flow requirement is 1000 gallons per minute for two hours with a 20 PSI residual, per Section B-105 2003 IFC. This calculates to 120,000 gallons of reserve storage to satisfy fire flow. The tank at your facility is 65,000 gallons, which leaves the system 55,000 gallons under minimum fire flow requirements.

Because your system is a combination fire and domestic, the above calculations should be added to your domestic storage requirements. Please feel free to contact me for any further details.

Sincerely,

David Wharton  
Fire Marshal

cc Lou Sandoval, AZDEQ

W-03443A-11-0040  
W-03443A-10-0143

# CHINO VALLEY FIRE DISTRICT

1133W Road 3 North • PO Box 264 • Chino Valley, AZ 86323  
Ph: 928-636-2442 • Fax: 928-636-1958 • [www.chinoazfire.com](http://www.chinoazfire.com)

---



December 12, 2011

Joe Cordovana  
Appaloosa Meadows Water Company

Re: Fire Flow Requirements

Dear Joe:

This is in reference to the letter I had sent you on May 16, 2011, regarding the lack of fire flow in the Appaloosa Meadows development.

Seven months have elapsed and I have not received a plan of action, nor a timeline to correct this situation. I must have a response from you prior to January 30, 2011, with a plan to correct this situation and a date when this will be completed.

Sincerely,

A handwritten signature in black ink, appearing to read "David Wharton". The signature is stylized with loops and a long horizontal stroke at the end.

David Wharton  
Fire Marshall

W-03443A-11-0040  
W-034434-10-0143

# EXHIBIT E

APPALOOSA WATER COMPANY  
NEW STORAGE TANK AND WATER LINE  
EXTENSION COST ESTIMATE

ALL AMOUNTS ARE BASED ON ESTIMATIONS FROM THE  
ENGINEERS AND ALLSTATE TANK.

1 EA	200,000 GAL STORAGE TANKW/FITTINGS	200,000
80 L.F.	8" D.I.P.	2,400
60 L.F.	4" D.I.P.	1,200
2 EA	8" G. VALVE	1,000
2EA	4" G. VALVE	500
1EA	ENGINEERING DESIGN	15,000
1EA	CONSTRUCTION STAKING	7,500
1EA	8" SOLENOID VALVE	4,500
1EA	SITE PREPARATION	15,000
580L.F.	8" CMU WALL	17,400
2EA	GENERATOR W/PROPANE TANK	120,000
2EA	ELECTRIC PANEL	30,000
1EA	4" SOLENOID VALVE	3,000
1EA	TAXES	20,709
1EA	PERMITS/FEES	30,237

W-03443A-11-0040  
W-03443A-10-0143

# EXHIBIT F

**APPALOOSA WATER COMPANY**  
**Comparative Statement of Operations Year to Date**  
**for 12 Periods of Fiscal Year Ending 12/31/2011**

Page 1

	Year Ending 12/31/2011	for Year Ending 12/31/2010	Change
<b>Net Income (Loss)</b>			
<b>Operating Income (Loss)</b>			
<b>Gross Profit (Loss)</b>			
<b>Income</b>			
WATER SALES	125,879.11	133,060.28	(7,181.17)
SERVICE ESTABLISHMENT FEES	500.00	725.00	(225.00)
ARSENIC FEES	14,211.13	7,102.67	7,108.46
OFFICE ADMINISTRATIVE FEES	520.00	0.00	520.00
CREDITS AND ADJUSTMENTS	(6,081.26)	0.00	(6,081.26)
PREPAYS/OVERPAYS	7,623.79	0.00	7,623.79
LATE FEES	145.09	0.00	145.09
<b>Total Income:</b>	<b>142,797.86</b>	<b>140,887.95</b>	<b>1,909.91</b>
<b>Cost of Sales</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Gross Profit (Loss):</b>	<b>142,797.86</b>	<b>140,887.95</b>	<b>1,909.91</b>
<b>Operating and Non-Cash Expenses</b>			
<b>Operating Expenses</b>			
Officer's Salary	0.00	50,769.12	(50,769.12)
PAYROLL	25,437.18	0.00	25,437.18
PAYROLL TAXES	2,412.16	4,079.84	(1,667.68)
ALARM AND SECURITY	234.00	244.47	(10.47)
ADVERTISING & PROMOTIONS	303.04	558.39	(255.35)
BAD DEBTS	0.00	105.27	(105.27)
BANK CHARGES	391.90	370.45	21.45
COMPUTER SUPPORT	849.16	263.69	585.47
GENERAL INSURANCE	0.00	7,373.60	(7,373.60)
INSURANCE	3,630.42	0.00	3,630.42
OFFICE SUPPLIES	1,677.13	2,955.97	(1,278.84)
POSTAGE AND DELIVERY	1,820.59	3,226.28	(1,405.69)
PROFESSIONAL FEE ENGINEERING	525.00	6,247.50	(5,722.50)
PROFESSIONAL FEE ACCOUNTING	3,775.00	1,115.00	2,660.00
PROFESSIONAL FEE LEGAL	4,875.00	0.00	4,875.00
RENT	6,000.00	6,000.00	0.00
REPAIRS & MAINTENANCE	2,861.97	8,138.95	(5,276.98)
SUPPLIES	25,221.14	792.01	24,429.13
REAL PROPERTY TAXES	9,802.44	5,724.05	4,078.39
TAXES/LICENSES/FEES	15,184.84	1,674.04	13,510.80
TELEPHONE	2,373.15	2,296.11	77.04
TRAVEL/ENTERTAINMENT/MEALS	0.00	543.82	(543.82)
UTILITIES	11,051.01	13,209.98	(2,158.97)
WATER ANALYSIS EXPENSE	9,492.48	9,048.66	443.82
DUES & SUBSCRIPTIONS	0.00	224.62	(224.62)
MILEAGE REIMBURSEMENT	0.00	781.06	(781.06)
LOAN INTEREST	6,183.87	0.00	6,183.87
ADWR WATER FEES	612.93	0.00	612.93
<b>Total Operating Expenses:</b>	<b>134,714.41</b>	<b>125,742.88</b>	<b>8,971.53</b>
<b>Non-Cash Expenses</b>			
Depreciation Expense	55,529.00	55,759.00	(230.00)
<b>Total Non-Cash Expenses:</b>	<b>55,529.00</b>	<b>55,759.00</b>	<b>(230.00)</b>
<b>Total Operating and Non-Cash Expenses:</b>	<b>190,243.41</b>	<b>181,501.88</b>	<b>8,741.53</b>
<b>Total Operating Income (Loss):</b>	<b>(47,445.55)</b>	<b>(40,613.93)</b>	<b>(6,831.62)</b>
<b>Other Income</b>			
SALES TAX INCOME	14,070.74	0.00	14,070.74
SALES TAX ACCTNG CREDIT	(68.74)	0.00	(68.74)
RETURNED CHECK CHARGES	0.00	147.63	(147.63)
INTEREST EARNED	0.61	0.00	0.61
<b>Total Other Income:</b>	<b>14,002.61</b>	<b>147.63</b>	<b>13,854.98</b>

W-03443A-11-0040  
W-03443A-10-0142

**APPALOOSA WATER COMPANY**  
**Comparative Statement of Operations Year to Date**  
**for 12 Periods of Fiscal Year Ending 12/31/2011**

Page 2

	Year Ending 12/31/2011	for Year Ending 12/31/2010	Change
<b>Net Income (Loss)</b>			
<b>Other Expenses</b>			
INTEREST EXPENSE	(5,000.00)	0.00	(5,000.00)
<b>Total Other Expenses:</b>	<u>(5,000.00)</u>	<u>0.00</u>	<u>(5,000.00)</u>
<b>Total Net Income (Loss):</b>	<u>(28,442.94)</u>	<u>(40,466.30)</u>	<u>12,023.36</u>

W-03443A-11-0040  
W-03443A-10-0143

**APPALOOSA WATER COMPANY**  
**Comparative Statement of Operations Year to Date**  
**for 12 Periods of Fiscal Year Ending 12/31/2010**

Page 1

	Year Ending 12/31/2010	for Year Ending 12/31/2009	Change
<b>Net Income (Loss)</b>			
<b>Operating Income (Loss)</b>			
<b>Gross Profit (Loss)</b>			
<b>Income</b>			
WATER SALES	133,060.28	130,352.54	2,707.74
SERVICE ESTABLISHMENT FEES	725.00	800.00	(75.00)
ARSENIC FEES	7,102.67	0.00	7,102.67
<b>Total Income:</b>	<b>140,887.95</b>	<b>131,152.54</b>	<b>9,735.41</b>
<b>Cost of Sales</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total Gross Profit (Loss):</b>	<b>140,887.95</b>	<b>131,152.54</b>	<b>9,735.41</b>
<b>Operating and Non-Cash Expenses</b>			
<b>Operating Expenses</b>			
Officer's Salary	50,769.12	43,653.82	7,115.30
PAYROLL TAXES	4,079.84	3,773.52	306.32
COPIER LEASE	0.00	253.02	(253.02)
PROPERTY ASSOCIATION FEES	0.00	498.00	(498.00)
MEMBERSHIP FEES	0.00	200.00	(200.00)
ALARM AND SECURITY	244.47	252.00	(7.53)
ADVERTISING & PROMOTIONS	558.39	680.28	(121.89)
BAD DEBTS	105.27	18.25	87.02
BANK CHARGES	370.45	514.60	(144.15)
COMPUTER SUPPORT	263.69	1,085.86	(822.17)
GENERAL INSURANCE	7,373.60	4,622.43	2,751.17
INSURANCE	0.00	207.00	(207.00)
MANAGEMENT SERVICES	0.00	5,000.00	(5,000.00)
OFFICE SUPPLIES	2,955.97	1,157.05	1,798.92
POSTAGE AND DELIVERY	3,226.28	2,326.69	899.59
PROFESSIONAL FEE ENGINEERING	6,247.50	2,000.00	4,247.50
PROFESSIONAL FEE ACCOUNTING	1,115.00	950.00	165.00
PROFESSIONAL FEE LEGAL	0.00	5,825.00	(5,825.00)
RENT	6,000.00	9,000.00	(3,000.00)
REPAIRS & MAINTENANCE	8,138.95	19,582.90	(11,443.95)
SUPPLIES	792.01	1,309.04	(517.03)
REAL PROPERTY TAXES	5,724.05	5,977.38	(253.33)
TAXES/LICENSES/FEES	1,674.04	2,040.64	(366.60)
TELEPHONE	2,296.11	992.73	1,303.38
TRAVEL/ENTERTAINMENT/MEALS	543.82	220.27	323.55
UTILITIES	13,209.98	13,607.43	(397.45)
WATER ANALYSIS EXPENSE	9,048.66	4,580.31	4,468.35
DUES & SUBSCRIPTIONS	224.62	0.00	224.62
MILEAGE REIMBURSEMENT	781.06	0.00	781.06
<b>Total Operating Expenses:</b>	<b>125,742.88</b>	<b>130,328.22</b>	<b>(4,585.34)</b>
<b>Non-Cash Expenses</b>			
Depreciation Expense	55,759.00	58,319.00	(2,560.00)
<b>Total Non-Cash Expenses:</b>	<b>55,759.00</b>	<b>58,319.00</b>	<b>(2,560.00)</b>
<b>Total Operating and Non-Cash Expenses:</b>	<b>181,501.88</b>	<b>188,647.22</b>	<b>(7,145.34)</b>
<b>Total Operating Income (Loss):</b>	<b>(40,613.93)</b>	<b>(57,494.68)</b>	<b>16,880.75</b>
<b>Other Income</b>			
SALES TAX ACCTNG CREDIT	0.00	19.82	(19.82)
RETURNED CHECK CHARGES	147.63	59.73	87.90
<b>Total Other Income:</b>	<b>147.63</b>	<b>79.55</b>	<b>68.08</b>
<b>Other Expenses</b>			
INTEREST EXPENSE	0.00	788.72	(788.72)
<b>Total Other Expenses:</b>	<b>0.00</b>	<b>788.72</b>	<b>(788.72)</b>
<b>Total Net Income (Loss):</b>	<b>(40,466.30)</b>	<b>(58,203.85)</b>	<b>17,737.55</b>

W-03443A-11-0040  
W-03443A-10-0143